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SLIGHT DOWNWARD ADJUSTMENT IN 1977/78 WORLD COFFEE PRODUCTION ESTIMATE

Summary

According to the third estimate of the Foreign Agricultural Service, world coffee production in 1977/78 will be 69.6 million bags, down about 300,000 bags from the second estimate. Based on past performance, it is likely that the third estimate of total production will not vary by more than 3.3 percent from the final estimate for the year.

Exportable production—which represents total harvested production less estimated domestic consumption in producing countries—is estimated at 52.0 million bags, down about 600,000 bags from the preceding figure.

The totals for 1977/78 are 14 percent higher than the estimate of total production for 1976/77 of 61.2 million bags and 18 percent higher than the corresponding exportable production of 44.1 million bags.

Principal revisions in production estimates in 1,000 bags for 1977/78 by country (with corresponding second estimates in parentheses) are: El Salvador, 2,350 (2,700); Honduras, 1,134 (950); Mexico, 4,100 (4,400); Nicaragua, 925 (975); Colombia, 9,800 (9,300); Cameroon, 1,583 (1,700); Ivory Coast, 3,600 (3,800); Kenya, 1,367 (1,300); Zaire, 1,500 (1,450) and Papua New Guinea, 617 (750).

The continued fall of green coffee prices from April highs prompted action by producing countries. On October 21, 10 producers of Other Mild coffees announced a joint decision to suspend further sales of their coffee until prices improved. On November 4, Colombia and Brazil agreed not to sell coffee below the price of Other Mild and Robustas, and certain African producers also agreed to limit sales. This combination of producer action, at a time when

inventories in most major importing countries were down, had the effect of stimulating world prices. By early December, the International Coffee Organization (ICO) indicator price for Other Mild coffees had increased about 45 cents from October 21 levels. Following strong protests by importers, most coffee producers resumed exports. However, the overall price situation was an important item on the agenda of the meeting of the ICO Executive Board in Rio de Janeiro on December 12-19, 1977.

U.S. imports of green coffee during January-October were down nearly one-fourth from the volume imported in the first 10 months of 1976. However, high unit prices increased the total value to \$3.32 billion, up two-thirds from 1 year-earlier levels. With roastings down 28 percent through September, third-quarter per capita disappearance of green coffee declined sharply. Preliminary indications are that per capita disappearance for 1977 will be less than 10 pounds, as compared with 12.8 pounds in 1976.

Production

NORTH AMERICA

Coffee production in North and Central America in 1977/78 is now estimated at 14.7 million bags, with exportable production at 11.1 million. This compares with 14.0 and 10.8 million bags, respectively, for total and exportable production in 1976/77. Both El Salvador's and Mexico's 1977/78 crops have been revised downward significantly from preceding estimates, and more than offset an increase of nearly 20 percent for Honduras. With the harvesting season now in progress, more accurate assessments

of crop yields can be made. Practically all of the coffee produced in North and Central America falls into the Other Mild Arabica grouping. On October 21, eight of these countries, along with Ecuador and Venezuela, jointly agreed to suspend sales of their coffees in an effort to reverse the downward movement in green prices that has occurred since mid-April. In this respect, their action apparently has been successful as the ICO indicator price for Other Mild coffees rose from \$1.61 a pound on October 21 to over \$2.00 a pound in early December. Subsequently, most of these countries began exporting again.

Production in **Costa Rica** in 1977/78 is estimated at 1.31 million bags, virtually the same as in the previous year. Rainfall was not sufficient during the early flowering period in main growing areas to realize fully a potentially larger output. More precise information will be available when the crop is completely harvested. As of November 11, less than 20 percent of the total estimated outturn had been registered for export. Loans provided to coffee growers to help with the harvest declined sharply as a result of Government efforts to limit inflation. As of mid-November, local coffee markets were closed as a result of regulations requiring export registrations at a minimum price of \$2.00 per pound.

Production in the **Dominican Republic** in 1977/78 is estimated at 1 million bags, 43 percent above the drought-reduced output of 1976/77, but still somewhat below the record crop of 1975/76. Better weather conditions, the up-year in the cyclical yield pattern, and Government assistance programs to growers are the reasons for the improved crop outlook. Coffee exports should rise sharply to a level of about 730,000 bags, total green equivalent, from exports of 454,000 bags in 1976/77. Reportedly, Brazil has contracted for 125,000 bags of the 1977/78 crop and is said to be interested in another 100,000 bags. Foreign exchange earnings from 1976/77 exports reached \$128 million, compared to only \$91 million in 1975/76. All coffee exports in 1976/77 went to the U.S. market.

El Salvador's 1977/78 output will be down considerably from earlier estimates because of an extended dry period following blooming. Production is now projected at 2.35 million bags, or 350,000 bags less than the preceding estimate for the year. The lower coffee areas, which ordinarily represent about 60 percent of production, were most affected. Higher elevation farms received nearly normal rainfall and are expecting good crops, although the harvest this year will be a little later than usual.

Production for 1976/77 is placed at 2.7 million bags from an area of 147,500 hectares. Exports during October-September 1976/77 are preliminarily reported at 2.9 million bags.

On October 20-21, representatives of 10 countries producing Other Mild coffees met in San Salvador. These producers, which included El Salvador, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and Venezuela, unanimously agreed to hold coffee off the market until the price improved. Reportedly, they were holding out for a price in excess of \$2.00 per pound. These producers planned to hold a follow-up meeting in Venezuela at a later date to review their decision. Following the October meeting, El Salvador suspended its coffee sales for export.

For **Guatemala**, the 1977/78 production is estimated at 2.55 million bags, or slightly higher than the previous season. The weather pattern has been similar to 1976/77's, and the cultural practices being used by producers may have temporarily broken the up-down production cycle.

Until 1975/76, the Coffee Growers Association (ANACAFE) had membership of only 10 percent of the 58,000 coffee producers, with about 20 percent of the total coffee area enrolled in its production improvement program established some 8 years earlier. With the sharp increase in coffee prices, these percentages rose substantially, resulting in an 18 percent increase in national yield.

The second national survey for coffee rust (*roya*) was completed recently with negative results. Preventative measures are being carefully observed and strictly enforced. In contrast, actions taken to prevent the spread of coffee bean borer (*broca*) have not been successful. Recent reports show the infestation, in various degrees, now covers an area of 78,400 hectares, 42 percent more than the area last reported and about one-third of the total area in coffee. ANACAFE, the sole agency in charge of the control of the insect, has a limited budget of \$309,000 per year. Should the infestation continue to spread at the 1976 rate, it would not be long before the crop outturn is seriously affected. Reportedly, the damage done by the borer can reduce bean weight by at least 10 percent.

The average price received for October-August 1976/77 export sales, according to ANACAFE figures, was \$229.21 per 60-kilogram bag, or \$1.73 per pound. This compares with an average price of \$104.44 per bag, or 79 cents per pound during October-September 1975/76. Reportedly, the relatively low average price for 1976/77, compared with peak world prices of \$3.00 to \$3.50 per pound during a good part of the year, resulted from most Guatemalan coffee being sold on futures, long before prices began to increase. Nevertheless, the total f.o.b. value of Guatemalan coffee exports was about \$477 million in 1976/77, compared with \$198 million in 1975/76.

The 1977/78 outlook for **Haiti** is for production of 550,000 bags, up slightly from 1976/77. Heavy

rains in recent months have caused some damage to the developing crop. Also, the drop in prices is expected to be a disincentive to increase production inputs and follow better cultural practices. Severe drought conditions, which prevailed from late 1976 through April 1977, are largely responsible for the 17 percent decline in the 1976/77 outturn from the preceding year.

Limited by lower production and increased local consumption, exports in 1976/77 dropped 40 percent to 264,772 bags. Reportedly, farmers received an overall average of \$1.90 per kilogram of green coffee in 1976/77, but prices fell sharply toward the end of the marketing year. Domestic consumption rose 7 percent in 1976/77 as the severe drought also took its toll on food crop production and Haitians turned more to heavily sweetened coffee as a food source. In 1977/78, exports could reach around 350,000 bags.

Coffee production in **Honduras** in 1977/78 is now estimated at 1.13 million bags, nearly 20 percent above earlier forecasts. If this estimate is realized, it would be about 50 percent larger than the 1976/77 outturn and a record crop. The bulk of the increase is a result of greatly improved cultural practices rather than a major increase in area. Crop observations prior to harvesting showed the trees to be heavily loaded with berries.

Nicaragua has transportation facilities near Honduras' eastern coffee area, and has an export tax of only \$5 per bag, far less than Honduran export charges reported at around \$43 per bag. For this reason, it is considered likely that substantial quantities of Honduran coffee will be smuggled into Nicaragua in 1977/78 and exported as Nicaraguan beans, as reportedly was done in 1976/77.

The Honduran Coffee Growers Association (IHCAFE) has determined that demand for commercially roasted coffee for internal consumption can be covered by 7 percent of production. This coffee will be managed by IHCAFE, which will sell it to the roasters on an allotment basis at about 59 cents a pound. The Government's fixed retail price for domestic roasted coffee is about 75 cents a pound.

Mexico's 1977/78 production is now estimated at 4.1 million bags, down 300,000 bags from the preceding forecast. However, this estimate is still well above the 1976/77 output of 3.8 million bags. The lack of adequate rainfall was probably the most important factor reducing the 1976/77 outturn, but 1976/77 also was a down year in the cyclical nature of the crop. Total area in coffee, estimated at 356,000 hectares, has not changed significantly over the last 4 to 5 years. On the other hand, considerable renovation has occurred in some older producing areas along with plantings of new, higher yielding varieties.

Exports of green coffee are estimated at 2.5 million bags in October-September 1976/77, with the United States, as usual, the major market. Reportedly, about 80 percent of all Mexican coffee now enters the United States through Laredo, Texas. Reasons for the increased land shipments include quicker payment on sale, shorter transit time to final destinations, and lower transportation costs. In line with the Government's plans for decentralizing its agencies, the Mexican Coffee Institute's central office was moved to Jalapa, Veracruz, on October 1, 1977. Only a small staff is maintained at the previous location in Mexico City.

Coffee production in **Nicaragua** for 1977/78 is estimated at 925,000 bags, about the same as the 1976/77 outturn. Climatic conditions for the 1977/78 crop have not been overly favorable. Early rains triggered bloom, but then the rains stopped, causing considerable bloom drop and a relatively poor bean set, especially in the Pacific region. However, in the more important northern region rains were mostly adequate and a good crop is expected. In spite of the *roya* outbreak, production in 1976/77 was up about 14 percent from that of the preceding year. The increase was attributed primarily to better cultural practices and to some new plantings coming into production. Rains were good during the blooming period and for 2 months thereafter, allowing for a better than average bean set.

The measures exercised by the Nicaraguan Government for the eradication and control of coffee rust, which was discovered in November 1976, have been highly effective. Latest reports are that the disease remains under control, although the number of infestations has picked up somewhat during the latter part of the rainy season. However, no traces of rust have been found outside of the Carazo region. Nicaragua hopes to have a much clearer idea of the success of its anti-rust campaign by March 1978, but will have to continue the campaign for at least another year. From October 30 to November 5, a group of technicians from OIRSA (the Regional Plant and Animal Sanitation Agency) visited Nicaragua and were encouraged by the results of the campaign thus far.

Being an off year, expectations are that **Trinidad's** and **Tobago's** coffee crop in 1977/78 will decline to 49,000 bags from 56,000 bags the preceding year. According to official reports, the increase in output in 1976/77 over the 1975/76 level was a result more of favorable weather than efficient production. Total exports of green and soluble coffee, in bean equivalent, in 1976/77 were about 39,000 bags. It is reported that sales arrangements for the 1977/78 exportable crop have already been made. During the past crop year, the price-by-grade system was

aborted, with all coffee for export being sold as "fair average quality."

SOUTH AMERICA

Total production of coffee in South America in 1977/78 is estimated at 30.4 million bags, with exportable production at 20.6 million. This compares with total and exportable production estimates of 22.0 and 12.4 million bags, respectively, in 1976/77. The major revision is for Colombia, where estimated production in both 1976/77 and 1977/78 is up 500,000 bags. Improved cultural practices, including major renovations to older coffee areas, as well as generally favorable weather are the main reasons for the higher estimates. Brazil's 1976/77 crop has been revised to 9.3 million bags, down 200,000 bags from previous estimates, based largely on more recent data on stocks and trade.

The production estimate for Brazil for 1977/78 remains unchanged at 17 million bags and compares with a revised figure of 9.3 million bags for 1976/77. With domestic consumption estimated at 7 million bags in both years, the corresponding exportable crops are 10 million for 1977/78 and 2.3 million bags for 1976/77. The reduction of 200,000 bags in the production estimate for 1976/77 is based primarily on the most recent ICO stock figures for Brazil of 14,251,000 bags, as of March 31, 1977, along with related export data for the period.

Brazil's coffee export sales virtually came to a halt at the end of April 1977 when world green coffee prices started their downward trend. From that time through November, the Brazilian Coffee Institute (IBC) maintained its minimum export registration price at \$3.20 per pound which was well in excess of world prices and effectively limited foreign sales. Total exports during January-September reached 8.8 million bags, including the green coffee equivalent of 1.5 million bags of soluble coffee. All but about 500,000 bags of the total was exported during January-June. Even though Brazil's exports were down sharply during July-September, foreign exchange earnings from coffee during the first 9 months of 1977 were around \$2.5 billion, by far a record high in Brazil's export history.

In early October 1977, the IBC raised the value of the contribution quota, or export tax, on coffee from \$160 to \$220 per bag, and made no change in the minimum registration price. This action set the stage for coffee sales negotiated in following weeks with foreign roasters by IBC at special discounts, reportedly ranging from \$1.00 to \$1.50 per pound. This discount was deducted from the increased contribution quota. The quantity of coffee sold by Brazil at special discount prices in the above manner is not known.

On December 2, the IBC announced a reduction in the minimum export price for green coffee to \$2.10 per pound (\$277.80 per bag) and also reduced the export tax to \$120 per bag. The new regulations apply to green coffee registered for sale on or after December 5, 1977, and exported during January and February 1978.

The IBC also reduced the minimum export price for instant coffee to \$4.20 per pound for spray-dried, and \$5.20 per pound for freeze-dried, with the export tax on these products revised to 60 cents per pound.

On the basis of ICO stock figures for Brazil as of April 1, 1977, plus 1977 estimated production (harvested mainly during April-August), official export data, and estimated 6 months' consumption, Brazil's green coffee stocks as of September 30, 1977, were approximately 23 million bags. With this relatively good supply on hand, and the 1978 harvest beginning in April, pressure undoubtedly is building to begin exporting larger quantities. In addition, the 1978 crop should be significantly larger than the 1977 harvest if growing conditions are reasonably favorable and adequate rust and insect control measures are taken. Also, the 1978 crop would not be greatly affected by frosts if any should occur during the frost-prone months of July and August.

Colombia's coffee production in 1977/78 is now estimated at 9.8 million bags, an increase of 500,000 bags from the preceding forecast. This estimate takes into account better cultural practices and the assumption of normal weather conditions, as well as continued larger production from sizable areas planted recently to high yielding, shadeless varieties.

Production in 1976/77, now that the crop year is completed, is revised upward to 9.3 million bags. Weather conditions for coffee in 1976/77 were better than normal and drought conditions in other parts of the country did not have a negative effect on the coffee producing regions. In addition to the enlarged area planted to improve varieties, a renovation plan for old plantations along with better farm management resulted in generally higher yields, and is expected to continue to show good results in future years.

Official coffee exports in 1976/77 were down 25 percent in volume from 1975/76, totaling 5.3 million bags, according to preliminary data. Of this figure 1.87 million went to the United States and 2.95 million to European destinations. Coffee export earnings hit a record \$1.5 billion, however, an increase of nearly 70 percent over the preceding marketing year's level. Contraband exports were estimated at 500,000 bags for the year, in addition to legal sales. Coffee utilized by the domestic market in 1976/77 is estimated at 1.4 million bags, with ending stocks on September 30, 1977, around 4.5 million

bags. Colombia has wanted to build up its depleted stocks, but the increase of some 2 million bags from year-earlier levels was the result of both an excellent harvest and volatile market conditions with lower than expected exports.

There were no major changes in Colombia's domestic coffee policy during 1976/77. With a new administration taking office in August 1978, some changes in domestic policy could occur by the end of the current marketing year. On November 4, 1977, the Coffee Growers Federation (CGF) released the text of the Manaos Agreement with Brazil, in which the heads of the national coffee institutes in Colombia and Brazil agreed to a unified policy on coffee. According to the text, the two countries will not sell coffee on the world market at prices below ICO indicator prices for Other Mild and Robustas.

Ecuador's 1977/78 coffee crop is estimated at 1.28 million bags, about 7 percent less than the excellent 1976/77 harvest. The decline in the expected outturn is a result of drought conditions in some of the producing areas.

On an October-September basis, Ecuador's green coffee exports totaled 1.16 million bags, about 3 percent higher than the year-earlier level. During May, June, and July, exports totaled only 62,690 bags as world prices dropped, and importer demand fell off. Exports picked up significantly in August and September. Part of the drop in exports in the May-July period was caused by producer's holding back coffee for higher prices and general resistance to an increase in export taxes.

On May 4, 1977, the export tax was increased from 27 to 35 percent of the export value, with the Government earmarking 2.5 percent of the taxes collected for the establishment of a Coffee Bank. The objective of the Coffee Bank is to channel credit to producers and exporters, with the purpose of increasing production and exports. The new target date for the Coffee Bank to open is October 1978. The total capital of the Bank reportedly will be about \$12 million.

Ecuador has formally supported the position of Other Mild coffee producers in their attempt to bolster coffee prices. From November 1, 1977, all coffee exports have to be authorized by the Ministry of Industries and Commerce.

Venezuela's coffee harvest in 1977/78 is estimated at 1.1 million bags, 30 percent larger than the previous year's crop, but about the same as the 1975/76 outturn. The low 1976/77 production was caused mainly by too much rain during the blossoming period, which sharply lowered bean set in the principal growing regions of Tachira and other Andean states. The estimate for 1977/78 is based on generally favorable growing conditions, an up year for coffee, and for an improved labor supply for harvest-

ing. National Coffee Fund (NCF) officials have arranged with the Colombian Government for Colombian labor to assist in harvesting Venezuelan coffee.

Coffee has been a very scarce commodity in Venezuela during the past year, as sharply higher world prices caused local producers to withhold coffee from the domestic market, where prices were frequently less than half that which could be obtained from export sales. To help rectify this situation and improve supplies for domestic consumption, the government will pay the NCF the difference between the international price for coffee and the domestic price. NCF also is sponsoring a supervised credit program at highly favorable terms and rates of interest for some 4,000 coffee producers. In addition, there are plans to build 40 centers for processing and storing coffee throughout the producing areas.

AFRICA

Total coffee production in Africa for 1977/78 is estimated at 17.6 million bags, down about 200,000 bags from the previous estimate and 5 percent less than in 1976/77. Exportable production for 1977/78 is estimated at 16.2 million bags, compared with 17.1 million bags in the preceding season. Downward revisions for 1977/78 crops in the Cameroon and the Ivory Coast were only partially offset by higher estimates for Kenya and Zaire.

Cameroon's production in 1977/78 is now estimated at 1.58 million bags, 7 percent below that previously reported but more than one-fourth larger than the revised 1976/77 outturn. Input availabilities and the weather have been generally favorable.

As of September 1977, some 60,000 tons of coffee, or 1 million bags, had been purchased by Government-appointed licensed buying and selling agents. Aging trees, the switch from cash to food crops, and comparatively poor producer prices are some of the reasons given for the relatively low 1976/77 crop. However, the Government has initiated a new policy, effective during the 1977/78 season, to provide farmers with a free supply of fertilizers, insecticides, and other production aids. Also, replanting of old and marginal plantations are subsidized by the Government at 60,000 CFA francs (\$248) per hectare over a 3-year period.

Production of Robusta type coffee in Cameroon is rising, and accounted for approximately 80 percent of the 1976/77 total crop. Some increases in both Robusta and Arabica varieties are forecast for 1977/78. All Cameroon coffee, except some 50,000-55,000 bags, is destined for export.

Estimates of Ivory Coast coffee production for both 1977/78 and 1976/77 have been revised downward. The 1977/78 crop is now estimated at 3.6 million bags (down from 3.8 million)

while the 1976/77 crop is placed at 4.7 million bags (down from 5 million).

The low forecast for the current crop year is the result of drought conditions early in the season combined with too much cloud cover during much of the following months. Beans are said to be small and the projected ratio of beans to cherries is only 30 percent compared with the normal average of 45 percent. The harvest will be delayed until January, about 1 month later than usual.

The Caisse de Stabilization has made virtually no export sales since May. Reportedly, it has been holding to the minimum price recommended by IACO (Inter-African Coffee Organization). With 1976/77 exports (October-September) estimated at only 3.65 million bags, there has been some buildup in stocks. The Government has decided that the number of trading houses authorized to export coffee and cocoa be reduced by half to about 19 firms.

The guaranteed price to producers was raised to 250 CFA per kilogram (about 47 cents a pound) for the 1977/78 season, compared with 180 CFA last year. This is the first substantial price increase to coffee growers in recent years.

It is possible that Kenya's 1977/78 production could equal or surpass the record 1976/77 outturn of 1.45 million bags. For the present, however, the crop is estimated at 1.37 million bags, based on early returns. This figure could be higher, however, if coffee deliveries to the mills from the main crop, which starts to be harvested in January, matches the excellent showing in the preceding year. The large crop harvested in 1976/77 was a result of excellent rains during the year and better farm management. Rainfall for the 1977/78 season also has been excellent and augers well for the main crop. The increase in 1976/77, 18 percent above 1975/76, was accounted for largely by the Societies, where production of 752,000 bags was 25 percent higher than in the preceding year, while output in the estate sector rose 11 percent. The problem of storage and handling of clean coffee, associated with the 1976/77 bumper outturn, will be minimized when the Kenya Planter's Cooperative Union (KPCU) completes construction on its new seven story warehouse in 1978.

During the 1976/77 season, very large quantities of foreign coffee, estimated at 170,000 to 220,000 bags, apparently were acquired by registered growers from illegal dealers and delivered to the Coffee Board as Kenyan coffee. By the time this coffee was discovered, it was too late for the Board to take action except to catalog it as miscellaneous coffee and sell it at the Nairobi auctions. This coffee, however, is not included in the estimates of Kenyan production. Effective October 1, 1977, the Government has declared such coffee to be illegal imports that will be confiscated. This action should

minimize the problem the Board faced during the past year.

Nigeria's coffee production in 1977/78 is estimated at 72,000 bags, compared with 53,000 bags in 1976/77. Weather conditions have been good and growers have been encouraged by the 56 percent increase in the producer price for the current marketing year. Nigeria exports some green coffee, but consumption, including imports of processed coffee, frequently exceeds total domestic output.

Coffee production in Zaire in 1977/78 is expected to increase to 1.5 million bags, compared with 1.43 million bags in 1976/77. The increase will result largely from the carryover effects of improved management practices of the 2 preceding crop years. In 1976/77, sharply higher prices for coffee brought about a large increase in the area harvested as a result of rehabilitation of abandoned plantations. There have not been, nor are there now, plans to invest in new production area because of uncertainty over Government policy and future prices.

An estimated 1.5 million bags of coffee were exported from Zaire in July-June 1976/77, down somewhat from the record 1.6 million bags shipped in the preceding year. Had it not been for the temporary stoppage in shipments in May-June 1977 and transit problems through Uganda and Kenya, exports in 1976/77 would have been larger.

Over the past year, Government officials have done much to encourage coffee exportation, including dropping of the special temporary export tax in September, lifting in October of the ban on exportation of coffee seconds, and the non-implementation by the Bank of Zaire of the IACO August 1977 recommendation to member countries not to export coffee at prices under \$2.65 a pound.

ASIA AND OCEANIA

Total coffee production in Asia remains unchanged at 6.3 million bags for 1977/78, as a somewhat higher estimate for India equaled a downward adjustment in the Indonesian outturn. In Papua New Guinea, the only commercially important coffee producer in Oceania, 1977/78 production is now estimated below the crop of 1976/77, because of adverse weather conditions.

India's 1977/78 coffee crop, based on post blossom estimates, is now placed at 1.92 million bags, of which somewhat over half would be Arabica coffee. Light-to-moderate showers occurred during April and May 1977, which created favorable weather conditions for the development of new leaf flush and berries. The southwest monsoon—June through September—also was favorable and further helped flush growth and the development of berries. Incidence of leaf disease, black rot, and mealy bug has been reported from some areas, but the general

development of the crop has been satisfactory.

The substantial improvement in the 1976/77 crop, estimated at 1.79 million bags, from that of the preceding year is largely attributed to the comprehensive extension program implemented by the Coffee Board during the season, along with good growing conditions.

Exports of green coffee are estimated at 950,000 bags for October-September 1976/77, up from official figures of 833,000 bags for 1975/76. While coffee imports have fallen off in some countries, demand in the oil-rich Middle East countries for Indian coffee has been so great that smuggling of coffee to those countries reportedly has become a very profitable business.

In line with the general fall in world prices, India lowered its export tax on coffee to 700 rupees per quintal (82 cents per kilogram), effective October 17, from \$1.53 per kilogram.

Indonesia's 1977/78 coffee crop is estimated at 2.95 million bags, up from 2.82 million in 1976/77. Slight increases in yields are expected to offset some decline in area. Many of the coffee trees on the estates are old and new plantings are being planned. While estate coffee production is concentrated in East Java and to a lesser extent in central Java, smallholder production is primarily in Sumatra, especially in Lampung and southern Sumatra.

Despite higher coffee prices, significant increases in yields are not expected in the near future because of the predominance of a smallholder cropping pattern marked by insufficient fertilizer use and generally poor management practices. Overcrowding of trees, little if any pruning or disease and pest control efforts further contribute to low yields.

Furthermore, the marketing system of small grower to local merchants, to larger brokers, and finally to exporters results in lower prices obtained by the grower.

While Indonesia's coffee export markets are still heavily concentrated in four countries—the United States, the Netherlands, Japan, and Denmark—this concentration is not as pronounced as it was several years ago. In January-July 1977, green coffee exports totaled 1.2 million bags valued at \$340 million, compared with exports for all of 1976 of 2.3 million bags valued at \$237 million and for 1975 of 2.1 million bags valued at \$100 million.

The outlook for coffee production in **Papua New Guinea** in 1977/78 is for a crop of 617,000 bags, about 12 percent less than in the preceding year. Yields are expected to be lower because of adverse weather conditions, and 2 years of high prices have created a high degree of cash liquidity. With basic needs in terms of consumer goods largely satisfied,

according to reports, many growers are not as eager to prune and weed as they had been, and plantations are showing some signs of neglect.

Exports of green coffee reached 830,000 bags in July-June 1976/77, but are expected to fall to around 630,000 bags in the current fiscal year. There are no official support prices for coffee at the present time and returns to growers are entirely based on the market price. Nevertheless, the Coffee Industries Board continues to supervise the marketing of the crop and the licensing of dealers.

Because of some quality problems with coffee marketed in the past year, the Coffee Board has introduced minimum quality standards for cherry and parchment coffee. Under the new regulations, buyers and sellers can be fined a maximum of \$255 if a parcel of coffee does not comply with the specified standards.

Other Developments

The continued decline in green coffee prices through the third quarter of 1977 and into October brought actions by producer countries to halt the downward trend. The joint decision by 10 producers of Other Mild coffees on October 21 to suspend their exports of coffee until prices improved was a major development in the trade. This action was followed by the Manaos Agreement between Colombia and Brazil, announced on November 4, in which the two countries agreed to not sell their coffees at less than the ICO indicator price for Other Mild and Robustas. Furthermore, there was tentative agreement among the African producer's group of IACO countries to hold to a recommended minimum price.

There appears to be little doubt that the above actions by producing countries at least temporarily helped to raise green coffee prices, coming at a time when inventories in major consuming countries were relatively low and when importer buying interest would normally pick up in view of the coffee harvest season in many countries during October-March.

On October 21, 1977, the ICO composite price for green coffee (1968 ICA basis) was \$2.12 per pound, down from the April 14 peak of \$3.40. For the same dates, the ICO indicator price for Other Mild coffees had fallen to \$1.61 per pound from \$3.36. As of early December, the ICO composite price had moved to over \$2.30, while the price of Other Mild had risen to around \$2.05, an increase of approximately 45 cents per pound.

With Brazil reducing its minimum export price, effective December 5, the ICO composite price for green coffee (based on four major types) more closely reflects the actual market. For example, the ICO

composite price on December 6—\$2.31 per pound—included Brazil's former minimum price of \$3.20, which was far above going prices in recent months. On December 7, the ICO price of \$1.98 included the new Brazilian minimum export price of \$2.10.

While December 1977 prices for green coffee were still down substantially from the record levels in April, they remained sharply above the June 1975 ICO composite price of 63 cents a pound. In the 5-year period 1971-1975, the ICO composite price averaged 59 cents per pound.

Because of the natural problems and economic difficulties of indefinitely withholding coffee from export as well as pressure from importing countries—including the United States—brought directly as well as through the auspices of the International Coffee Organization during the Executive Board meetings in London, most of the Mild Coffee producers have resumed coffee exports. However, the quantity of coffee moving to import markets will not be known until official export statistics become available.

Concern about coffee price levels, and supply availability were principal topics at the first major session of the ICO Executive Board for the 1977/78 coffee year, which took place in Rio de Janeiro December 12-19, 1977. The ICO Working Group to review the feasibility of an international stocking arrangement is scheduled to meet in London late in January 1978. The latter action by the ICO stems largely from the producer-backed Mexican proposal to implement Article 51(4), of the International Coffee Agreement. With Brazil and Colombia holding sizable stocks on September 30, 1977, and with most countries harvesting new crops during October 1977-March 1978, the concept of an international stock arrangement to help stabilize coffee prices was especially appealing to producers.

According to preliminary ICO statistical reports, total exports by exporting members (42 countries) of the International Coffee Agreement to all destinations were 29.5 million bags for January-June 1977

valued at \$7.84 billion. This is somewhat less in volume than January-June 1976 exports of 31.5 million bags, but more than double the corresponding value of \$3.61 billion. For calendar 1976, total exports were 58.5 million bags valued at \$8.14 billion, compared with 57.9 million bags valued at \$4.18 billion in 1975. Net imports by importing members (25 countries) from all sources in 1976 were reported at 54.1 million bags, compared with 52.8 million bags in 1975.

U.S. imports of green coffee during July-October 1977 totaled only 2.76 million bags, half the quantity imported during the same 4 months of 1976. During January-October 1977, total green coffee imports were 12.49 million bags valued at \$3.32 billion, as compared to 16.28 million bags valued at \$1.99 billion a year earlier. The unit import value of green coffee for October 1977 was \$1.82 per pound, f.o.b. basis, down from \$1.96 in September, and compares with \$1.23 in October 1976.

Green coffee stocks held by U.S. importers, roasters, and dealers on September 30, 1977, were 2.62 million bags, down from 3.12 million on June 30, and 344,000 bags less than stocks a year earlier. Green coffee roastings during January-September totaled 10.34-million bags, or 28 percent less than in the first 9 months of 1976.

According to latest computations, per capita disappearance of coffee (green bean equivalent) in the United States during the first 3 quarters of 1977 was about 7.2 pounds, down more than a fourth from corresponding levels in 1976. Thus, per capita disappearance for calendar 1977 will probably be less than 10 pounds, sharply below the 12.8 pounds in 1976.

Information in this circular was prepared by William C. Bowser, Sugar & Tropical Products Division, FCA/FAS. (202) 447-2252.

COFFEE, GREEN: TOTAL PRODUCTION IN SPECIFIED COUNTRIES - AVERAGE 1968/69-1972/73, ANNUAL 1973/74-1977/78 ^{1/}
(IN THOUSANDS OF 60 KILOGRAM BAGS) ^{2/}

REGION AND COUNTRY	AVERAGE 1968/69-1972/73	1973/74	1974/75	1975/76	1976/77	1977/78
NORTH AMERICA:						
COSTA RICA.....	1,319	1,570	1,390	1,305	1,311	1,310
CUBA.....	482	500	450	415	415	415
DOMINICAN REPUBLIC.....	669	845	880	1,040	700	1,000
EL SALVADOR.....	2,254	2,378	3,300	2,328	2,700	2,350
GUATEMALA.....	1,936	2,200	2,540	2,149	2,534	2,550
HAITI.....	519	550	520	650	538	550
HONDURAS.....	624	775	815	843	763	1,134
JAMAICA.....	21	30	21	31	18	30
MEXICO.....	3,245	3,300	3,900	4,200	3,800	4,100
NICARAGUA.....	605	610	700	813	926	925
PANAMA.....	81	72	75	75	75	80
TRINIDAD-TOBAGO.....	55	30	65	42	56	49
US-HAWAII.....	28	19	12	14	16	16
US-PUERTO RICO.....	208	220	200	150	120	150
TOTAL.....	12,045	13,099	14,868	14,055	13,972	14,659
SOUTH AMERICA:						
BOLIVIA.....	116	95	90	100	105	110
BRAZIL.....	18,570	14,500	27,500	23,000	9,300	17,000
COLOMBIA.....	8,030	7,800	9,000	8,500	9,300	9,800
ECUADOR ^{3/}	1,032	870	1,270	1,191	1,389	1,285
GUYANA.....	14	10	15	15	15	15
PARAGUAY.....	51	50	42	40	20	20
PERU.....	970	1,000	900	900	1,000	1,050
VENEZUELA.....	942	960	765	1,077	826	1,073
TOTAL.....	29,725	25,285	39,582	34,823	21,955	30,353
AFRICA:						
ANGOLA.....	3,320	3,200	3,000	1,200	1,200	1,400
BENIN.....	16	13	14	14	14	15
BURUNDI.....	324	350	450	285	350	300
CAMEROON.....	1,256	1,260	1,816	1,332	1,250	1,583
CENT AFRICAN EMPIRE.....	175	190	175	165	165	200
CONGO, BRAZZAVILLE.....	16	10	15	20	20	20
EQUATORIAL GUINEA.....	119	105	110	90	90	100
ETHIOPIA.....	2,079	1,700	2,050	1,900	2,000	2,000
GABON.....	16	9	10	10	10	10
GHANA.....	83	45	50	65	65	60
GUINEA.....	151	105	100	90	90	100
IVORY COAST.....	4,305	3,285	4,500	5,133	4,700	3,600
KENYA.....	993	1,100	1,100	1,230	1,450	1,367
LIBERIA.....	76	65	68	75	78	75
MADAGASCAR.....	999	1,000	1,300	1,200	1,300	1,200
NIGERIA.....	67	38	40	65	53	72
RWANDA.....	208	266	256	300	300	300
SIERRA LEONE.....	108	67	125	80	140	100
TANZANIA.....	865	700	865	850	900	850
TOGO.....	220	180	200	155	190	175
UGANDA.....	3,167	3,100	3,000	2,800	2,700	2,600
ZAIRE (CONGO,K).....	1,226	1,317	1,150	1,383	1,433	1,500
TOTAL.....	19,787	18,105	20,394	18,442	18,498	17,627
ASIA:						
INDONESIA.....	1,426	1,535	1,630	1,478	1,791	1,917
INDONESIA.....	2,300	2,750	2,675	2,865	2,820	2,953
MALAYSIA.....	77	67	70	100	100	100
PHILIPPINES.....	815	865	1,035	1,080	1,150	1,200
PORTUGUESE TIMOR.....	57	60	75	75	65	75
VIETNAM.....	52	55	60	60	60	60
YEMEN.....	54	25	35	35	35	40
TOTAL.....	4,781	5,357	5,580	5,693	6,021	6,345
OCEANIA:						
NEW CALEDONIA.....	26	25	25	25	25	25
PAPUA NEW GUINEA.....	453	588	633	650	700	617
TOTAL.....	479	613	658	675	725	642
WORLD TOTAL.....	66,818	62,459	81,082	73,688	61,171	69,626

^{1/} Coffee marketing year begins about July in some countries and in others about October. ^{2/} 132,276 pounds. ^{3/} As indicated in footnote 1, the coffee marketing year begins in some countries as early as July. Ecuador is one of these countries. Hence, the crop harvested principally during June-October 1977 in that country is shown as production for the 1977/78 marketing year. In Ecuador, however, this is referred to as the 1976/77 crop.

NOTE: Production estimates for some countries include cross-border movements.

Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign source materials, reports of U.S. Agricultural Attaches and Foreign Service Officers, results of office research, and related information.

COFFEE, GREEN: EXPORTABLE PRODUCTION IN SPECIFIED COUNTRIES - AVERAGE 1968/69-1972/73, ANNUAL 1973/74-1977/78 ^{1/}
(IN THOUSANDS OF 60 KILOGRAM BAGS) ^{2/}

REGION AND COUNTRY	AVERAGE 1968/69-1972/73	1973/74	1974/75	1975/76	1976/77	1977/78
NORTH AMERICA:						
COSTA RICA.....	1,162	1,400	1,237	1,152	1,127	1,116
CUBA.....	45	50	---	---	---	---
DOMINICAN REPUBLIC.....	460	600	600	755	453	730
EL SALVADOR.....	2,099	2,203	3,130	2,158	2,525	2,170
GUATEMALA.....	1,688	1,925	2,255	1,859	2,236	2,243
HAITI.....	320	340	305	425	296	317
HONDURAS.....	510	635	705	739	659	1,027
JAMAICA.....	6	14	4	12	---	13
MEXICO.....	1,718	1,690	2,156	2,660	2,550	2,600
NICARAGUA.....	531	496	608	737	848	845
PANAMA.....	16	---	---	25	25	30
TRINIDAD-TOBAGO.....	41	13	55	29	41	36
US-HAWAII.....	8	---	---	---	---	---
US-PUERTO RICO.....	---	---	---	---	---	---
TOTAL.....	8,604	9,366	11,055	10,551	10,760	11,127
SOUTH AMERICA:						
BOLIVIA.....	61	73	68	78	83	88
BRAZIL.....	9,920	6,370	19,500	15,000	2,300	10,000
COLOMBIA.....	6,644	6,250	7,400	7,100	7,900	8,300
ECUADOR ^{3/}	812	625	1,113	1,026	1,219	1,115
GUYANA.....	1	---	---	---	---	---
PARAGUAY.....	31	28	19	19	---	---
PERU.....	745	750	640	650	750	800
VENEZUELA.....	310	255	95	377	159	340
TOTAL.....	18,524	14,351	28,835	24,250	12,411	20,643
AFRICA:						
ANGOLA.....	3,228	3,095	2,895	1,140	1,140	1,340
BENIN.....	14	12	13	13	13	14
BURUNDI.....	319	345	445	280	345	295
CAMEROON.....	1,214	1,213	1,766	1,279	1,200	1,530
CENT AFRICAN EMPIRE.....	167	179	164	155	155	195
CONGO, BRAZZAVILLE.....	15	9	14	19	19	19
EQUATORIAL GUINEA.....	112	100	105	85	85	95
ETHIOPIA.....	1,429	1,005	1,340	1,175	1,275	1,275
GABON.....	15	8	9	9	9	9
GHANA.....	69	31	36	50	50	45
GUINEA.....	145	100	94	84	84	94
IVORY COAST.....	4,244	3,219	4,432	5,066	4,633	3,517
KENYA.....	972	1,073	1,082	1,213	1,422	1,335
LIBERIA.....	72	60	63	70	73	70
MADAGASCAR.....	874	865	1,160	1,060	1,160	1,060
NIGERIA.....	46	11	12	10	---	10
RWANDA.....	203	260	250	295	295	295
SIERRA LEONE.....	102	62	120	75	135	95
TANZANIA.....	847	678	845	830	880	830
TOGO.....	217	177	197	152	187	172
UGANDA.....	3,150	3,078	2,978	2,778	2,678	2,578
ZAIRE (CONGO,K).....	1,118	1,184	1,017	1,266	1,300	1,367
TOTAL.....	18,571	16,764	19,037	17,104	17,138	16,240
ASIA:						
INDIA.....	675	730	970	729	941	1,050
INDONESIA.....	1,484	1,795	1,700	1,965	1,920	2,053
MALAYSIA.....	---	---	---	---	---	---
PHILIPPINES.....	4	---	100	110	150	200
PORTUGUESE TIMOR.....	51	50	64	64	55	65
VIETNAM.....	---	---	---	---	---	---
YEMEN.....	44	20	30	30	30	35
TOTAL.....	2,258	2,595	2,864	2,898	3,096	3,403
OCEANIA:						
NEW CALEDONIA.....	15	14	14	14	14	14
PAPUA NEW GUINEA.....	441	584	628	645	694	611
TOTAL.....	456	598	642	659	708	625
WORLD TOTAL.....	48,413	43,674	62,433	55,462	44,113	52,038

^{1/} Coffee marketing year begins about July in some countries and in others about October. Exportable production represents total harvested production minus estimated domestic consumption. ^{2/} 132,276 pounds. ^{3/} As indicated in footnote 1, the coffee marketing year begins in some countries as early as July. Ecuador is one of these countries. Hence, the crop harvested principally during June-October 1977 in that country is shown as production for the 1977/78 marketing year. In Ecuador, however, this is referred to as the 1976/77 crop.

NOTE: Production estimates for some countries include cross-border movements.

Foreign Agricultural Service. Prepared or estimated on the basis of official statistics of foreign governments, other foreign source materials, reports of U.S. Agricultural Attaches and Foreign Service Officers, results of office research, and related information.

GREEN COFFEE: EXPORTS FROM SPECIFIED COUNTRIES, BY COUNTRY OF DESTINATION, CALENDAR YEAR 1976
(In bags of 60 kilograms) ^{1/}

Country of destination	^{2/} Brazil	^{3/} Colombia	Guatemala	Indonesia	Ivory Coast	Mexico
Europe:						
Austria	50,057	501	115	---	---	---
Belgium-Luxembourg	157,877	140,394	55,300	38,933	8,733	---
Bulgaria	1,666	---	---	---	---	---
Czechoslovakia	40,416	18,338	---	417	---	15,733
Denmark	531,941	85,440	15,244	167,017	19,650	1,517
Finland	140,700	302,090	112,194	---	---	1,167
France	493,480	221,230	31,796	45,550	1,694,433	92,033
German Democratic Rep.	422,134	149,636	---	---	5,067	---
Germany, West	935,434	1,674,944	490,999	62,033	198,833	199,850
Greece	160,752	---	---	8,083	27,883	---
Hungary	284,738	4,167	---	167	62,667	---
Iceland	13,100	---	---	---	12,600	1,167
Italy	1,608,642	25,380	21,178	133,600	333,700	41,767
Netherlands	341,302	660,785	178,816	375,333	539,067	15,383
Norway	330,788	50,154	38,953	12,383	---	867
Poland	352,932	158,616	---	---	---	3,367
Portugal.....	13,068	---	---	---	6,533	---
Romania.....	9,581	3,000	---	---	---	---
Spain	500,089	81,912	68,976	---	368,200	65,967
Sweden	916,000	476,210	36,733	11,450	---	3,500
Switzerland	75,608	20,083	2,417	2,917	667	245,683
United Kingdom	901,007	29,909	8,068	74,250	271,917	6,450
USSR	220,600	---	---	---	---	50,717
Yugoslavia	598,471	38	460	---	16,317	121,500
Other	52,477	---	---	833	---	---
Total	9,152,860	4,102,827	1,061,249	932,966	3,566,267	866,668
North America:						
Canada	133,763	20,620	16,099	2,367	24,367	2,516
United States	4,648,530	2,520,980	598,845	891,333	796,717	1,811,617
Other	---	1,480	413	---	---	---
Total	4,782,293	2,543,080	615,357	893,700	821,084	1,814,133
South America	284,645	134,892	---	---	---	8,033
Africa	580,919	3,707	58	350	495,283	---
Asia and Oceania	829,938	238,455	96,175	441,400	418,433	54,983
Not specified	---	---	---	---	79,366	---
Grand total	15,630,655	7,022,961	1,772,839	2,268,416	5,380,433	2,743,817

^{1/} 132.276 pounds. ^{2/} Includes 2,148,184 bags soluble coffee in green coffee equivalent.

^{3/} October 1975/September 1976. Calendar year breakdown not available.

Compiled by Foreign Agricultural Service from official statistics of specified countries.

COFFEE: EXPORT VALUE AS PERCENT OF TOTAL EXPORTS, 1972-76
(In percent)

Continent and Country	1972	1973	1974	1975	1976
North America:					
Costa Rica	27.7	26.8	28.0	20.6	27.0
Dominican Republic	7.2	9.4	5.9	3.7	12.3
El Salvador	38.1	43.7	41.5	32.9	45.5
Guatemala	32.2	33.4	30.2	26.3	32.0
Haiti	27.8	35.5	33.6	22.8	--
Honduras	13.9	17.7	16.7	19.3	25.6
Mexico	4.7	7.6	5.4	6.4	12.0
Nicaragua	13.2	15.9	12.1	9.8	22.0
South America:					
Brazil	24.8	20.0	10.9	10.8	21.6
Colombia	49.2	39.3	44.0	43.9	53.4
Ecuador	16.4	10.9	6.0	10.0	17.6
Peru	1.5	6.2	2.3	4.0	7.6
Venezuela	0.5	0.5	0.2	0.2	--
Africa:					
Cameroon	27.0	25.6	24.8	19.4	36.3
Ethiopia	48.4	38.2	27.7	32.5	55.9
Ivory Coast	25.8	25.2	26.7	29.6	33.8
Kenya	27.3	29.2	23.6	20.9	34.7
Madagascar	27.8	29.7	26.7	22.3	25.2
Tanzania	18.9	22.1	14.8	19.0	33.6
Uganda	60.9	67.6	73.3	77.8	85.8
Asia and Oceania:					
India	1.4	2.1	1.9	1.5	1.7
Indonesia	4.3	4.1	1.3	1.4	3.2

Prepared or estimated on the basis of official statistics of foreign governments, other foreign source materials, reports of U.S. Agricultural Attaches and Foreign Service Officers, results of office research, and related information. Subject to revision.

GREEN COFFEE: ICO COMPOSITE PRICE $\frac{1}{2}$, MONTHLY AND ANNUAL AVERAGES,
1965-1977
(IN CENTS PER POUND)

Year	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Average
1965	2/ 3/	3/	38.20	38.41	37.05	39.27	40.67	42.20	41.65	42.15	41.73	42.32	40.37
1966	2/ 42.15	40.91	40.14	40.30	40.46	39.83	39.49	39.14	38.31	38.45	38.24	37.91	39.61
1967	2/ 37.22	37.13	36.68	37.43	38.30	38.57	37.58	36.69	36.53	36.43	37.20	36.82	37.22
1968	2/ 37.26	37.36	37.68	37.81	37.61	37.70	37.56	37.38	37.30	37.38	36.93	36.37	37.36
1969	36.33	36.54	36.05	35.17	34.96	35.35	35.42	37.01	40.28	45.33	45.83	46.22	38.71
1970	49.15	48.73	49.27	50.40	51.14	50.89	51.70	51.99	52.03	51.87	50.23	48.88	50.52
1971	49.02	46.96	45.08	44.28	44.31	43.76	43.50	43.67	43.31	43.13	43.68	45.23	44.66
1972	44.80	44.92	46.01	46.42	47.33	47.76	54.11	55.83	53.99	53.95	54.55	55.17	50.40
1973	57.04	60.75	61.77	59.78	61.63	62.78	62.85	62.33	64.05	64.05	64.82	65.09	62.16
1974	66.22	70.78	72.04	72.89	73.74	71.49	68.45	64.55	63.04	63.04	64.57	65.63	67.95
1975	64.96	63.80	60.71	59.53	60.29	63.00	60.43 $\frac{4}{88.49}$	84.59	84.59	84.59	82.73	86.84	71.76
1976	94.97	101.94	100.50	123.15	138.93	149.24	142.34	150.87	164.53	164.53	181.28	207.85	142.48
1977	227.89	251.20	324.59	333.49	295.95	269.81	246.15	240.17	236.02	221.71	228.51		

1/ International Coffee Organization (ICO) composite price, basis 1968 Agreement, of 4 major coffee growths, i.e., Colombian Mild Arabica, Other Mild Arabica, Unwashed Arabica (Brazilian), and Robusta.

2/ Unofficial.

3/ Series began March 22, 1965.

4/ Average through July 1-18 only.

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